

Senate File 2157 - Introduced

SENATE FILE 2157

BY BROWN

A BILL FOR

1 An Act relating to medical cannabidiol by providing deductions
2 from the individual and corporate income taxes for
3 expenses incurred by medical cannabidiol manufacturers and
4 dispensaries, and exempting the sale of medical cannabidiol
5 products from the sales and use tax, and including
6 retroactive applicability provisions.
7 BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF IOWA:

DIVISION I

DEDUCTIONS FROM INDIVIDUAL AND CORPORATE INCOME TAXES

Section 1. Section 422.7, Code 2022, is amended by adding the following new subsection:

NEW SUBSECTION. 63. Subtract, to the extent included, the amount of business expense for a medical cannabidiol manufacturer or a medical cannabidiol dispensary licensed pursuant to chapter 124E without regard to section 280E of the Internal Revenue Code.

Sec. 2. Section 422.35, Code 2022, is amended by adding the following new subsection:

NEW SUBSECTION. 31. Subtract, to the extent included, the amount of business expense for a medical cannabidiol manufacturer or a medical cannabidiol dispensary licensed pursuant to chapter 124E without regard to section 280E of the Internal Revenue Code.

Sec. 3. RETROACTIVE APPLICABILITY. This division of this Act applies retroactively to January 1, 2022, for tax years beginning on or after that date.

DIVISION II

EXEMPTION FROM SALES AND USE TAX

Sec. 4. Section 423.3, Code 2022, is amended by adding the following new subsection:

NEW SUBSECTION. 108. The sales price of the sale of a medical cannabidiol product by a medical cannabidiol manufacturer or a medical cannabidiol dispensary pursuant to chapter 124E.

EXPLANATION

The inclusion of this explanation does not constitute agreement with the explanation's substance by the members of the general assembly.

DIVISION I. Under federal law, a medical cannabidiol manufacturer and a medical cannabidiol dispensary are prohibited from taking business expense deductions by section 280E of the Internal Revenue Code. Currently, Iowa computes individual net income and corporate taxable income based upon

1 federal income calculations, and therefore Iowa currently
2 prohibits a medical cannabidiol manufacturer and a medical
3 cannabidiol dispensary from taking business expense deductions
4 as well because the deductions are not allowed at the federal
5 level.

6 This bill allows a medical cannabidiol manufacturer and
7 a medical cannabidiol dispensary licensed pursuant to Code
8 chapter 124E to deduct business expenses for purposes of the
9 Iowa individual income tax or corporate income tax.

10 The division applies retroactively to tax years beginning on
11 or after January 1, 2022.

12 DIVISION II. The bill exempts from the sales and use
13 tax the sales price of a medical cannabidiol product by a
14 licensed medical cannabidiol manufacturer or a licensed medical
15 cannabidiol dispensary. The sales and use tax exemption takes
16 effect July 1, 2022.